

## Message Text

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ORIGIN AF-18

INFO OCT-01 ISO-00 SPC-03 SAM-01 AID-20 EB-11 NSC-10

RSC-01 CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02

CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12

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FM SECSTATE WASHDC

TO AMEMBASSY TUNIS

C O N F I D E N T I A L STATE 023366

E.O. 11652: GDS

TAGS: PFOR, TS, US

SUBJECT: CALL BY TUNISIAN AMBASSADOR

1. AMBASSADOR HEDDA, HAVING PRESENTED CREDENTIALS TO PRESIDENT ON FEB. 1, CALLED ON ACTING ASSISTANT SECRETARY ROSS AND ASSISTANT SECRETARY-DESIGNATE EASUM ON FEBRUARY 4. HEDDA RAISED BRIEFLY SUBJECT OF BOURGUIBA VISIT TO US, PROVIDED HIS IMPRESSION OF TUNISIAN-LIBYAN MERGER PROPOSAL AND SPOKE AT LENGTH ABOUT CAPACITY OF TUNISIA FOR BOTH INTERNAL ECONOMIC DEVELOPMENT AND INTERNATIONAL ECONOMIC COOPERATION.

2. BOURGUIBA VISIT: AFTER INITIAL PLEASANTRIES, HEDDA SAID THAT HE ANTICIPATES FOLLOW-UP MEETINGS TO MAKE ARRANGEMENTS FOR VISIT OF PRESIDENT BOURGUIBA IN MAY. HE NOTED THAT THE PRECISE DATE FOR A MEETING WITH PRESIDENT NIXON HAS NOT YET BEEN SET. BOURGUIBA IS COUNTING VERY MUCH ON THIS VISIT AND HAS SPOKEN OF IT IN PUBLIC. THE PERSONAL RELATIONSHIP OF THE TWO MEN, SAID HEDDA, DATES BACK TO  
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THEN VICE-PRESIDENT NIXON'S VISIT TO TUNIS IN 1957. EASUM

REMARKED THAT IT IS ALWAYS DIFFICULT TO SET THE DATES FOR PRESIDENTIAL VISITS AND THAT THE OTHER OBLIGATIONS OF PRESIDENT NIXON WOULD MAKE IT NECESSARY TO WAIT UNTIL THE LAST MINUTE TO CONFIRM THE DATE FOR ANY MEETING WHICH MIGHT BE ARRANGED. IN RESPONSE TO A QUESTION ABOUT BOURGUIBA'S HEALTH, HEDDA REPLIED THAT BOURGUIBA SEEMS TO

GROW YOUNGER AND CITED EXAMPLES OF HIS PHYSICAL VIGOR. ALTHOUGH HE IS EXPECTED TO REST IN SWITZERLAND FOR 2-3 WEEKS, HEDDA EXPRESSED CONFIDENCE THAT BOURGUIBA WILL RESUME HIS ACTIVE SCHEDULE, INCLUDING FOREIGN TRAVEL IN EUROPE, TO PAKISTAN AND TO THE US.

3. MERGER WITH LIBYA: WHEN THE CONVERSATION OFFERED AN OPENING, EASUM ASKED FOR THE AMBASSADOR'S IMPRESSIONS OF THE PROPOSED MERGER OF TUNISIA AND LIBYA. HEDDA REPLIED THAT IT IS A COMPLICATED MATTER BUT THAT THE ESSENCE OF TUNISIAN POLICY IS TO RETURN QADHAFI TO A MAGHREBIAN PATH. THE MOST IMPORTANT STIPULATION OF THE JOINT COMMUNIQUE OF JANUARY 12 IS TO PURSUE UNITY ACCORDING TO BOTH COUNTRIES' CONSTITUTIONS. PRIME MINISTER NOUIRA HAS STRESSED THE NEED FOR DETAILED CONSULTATIONS WITH THE TUNISIAN PEOPLE, WITH THE LIBYAN GOVERNMENT THROUGH JOINT COMMITTEES AND WITH MOROCCO AND ALGERIA. HEDDA CONCLUDED THAT THE HISTORICAL POSITION AND PRESENT HOPE OF TUNISIA IS FOR SOME KIND OF MAGHREBIAN UNITY INCLUDING LIBYA.

4. EMIC PROSPECTS: EASUM ASKED HOW THE AMBASSADOR VIEWED THE EFFECT OF RISING PRICES FOR TUNISIAN EXPORTS, SUCH AS PETROLEUM AND PHOSPHATES. HEDDA ACKNOWLEDGED THAT THE ECONOMIC OUTLOOK FOR TUNISIA IS FAVORABLE. ALTHOUGH NOT A MAJOR PETROLEUM PRODUCER, OIL EXPORTS PROVIDE SUFFICIENT ADDITIONAL REVENUE TO EASE TUNISIA'S CONCERN WITH ITS BALANCE OF PAYMENTS WITHOUT CAUSING THE INFLATION OF MASSIVE REVENUES. CONSTRUCTION OF A SECOND REFINERY WILL CREATE ADDITIONAL REVENUES AND ENABLE TUNISIA TO BETTER SUPPLY ITS OWN NEEDS FOR PETROLEUM PRODUCTS. HEDDA ALSO NOTED THAT THE HIGHER PRICE FOR PHOSPHATES IS HELPING SOLVE PROBLEMS FOR AN INDUSTRY THAT EMPLOYS 16,000 WORKERS IN A COMPARATIVELY POOR REGION OF TUNISIA. HE DESCRIBED  
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THE NEARLY UNLIMITED DEMAND FOR EXPORTS OF TUNISIAN PHOSPHATE ORE AND ITS DERIVATIVES AND OUTLINED PLANS FOR EXPANSION OF THE INDUSTRY. HEDDA EMPHASIZED THAT THE TUNISIAN ECONOMY WITH ITS RELATIVELY WELL DEVELOPED INFRASTRUCTURE AND TRAINED PERSONNEL IS FULLY ABLE TO ABSORB EVEN GREATER ADDITIONAL REVENUES.

5. INTERNATIONAL ECONOMIC COOPERATION: IN RESPONSE TO

QUESTIONS ABOUT THE EFFECTS OF HIGH COMMODITY PRICES ON THE WORLD ECONOMY, HEDDA STATED THAT THERE WERE WAYS TO RECYCLE THE CAPITAL FLOWS IN ORDER TO PREVENT DISEQUILIBRIUM. EASUM NOTED THAT THE PROJECTED AFRO-ARAB BANK COULD MAKE A CONTRIBUTION TOWARD AIDING LDC'S BURDENED BY HIGH PRICES OF PETROLEUM. HEDDA AGREED AND ARGUED THAT WHILE IT WAS NOT REALISTIC TO ASK FOR A TWO

TIER OIL PRICE TO HELP THE LDC'S, ONE COULD ANTICIPATE VERY LONG TERM LOANS AT LOW INTEREST.

6. A DISCUSSION ENSUED ON THE PROBLEMS OF IMPLEMENTING AID PROJECTS AND THE DIFFICULTY OF TRANSFERRING TECHNOLOGY. HEDDA NOTED TUNISIA'S LONG EXPERIENCE WITH INTERNATIONAL COOPERATION AND HIS OWN PERSONAL EXPERIENCE IN THE FIELD. MONEY FOR DEVELOPMENT IS AVAILABLE, HE SAID, BUT IDEAS AND PEOPLE TO UTILIZE EXISTING FUNDS ARE LACKING. FURTHERMORE, WHEN DEVELOPED COUNTRIES WISH TO GIVE MAXIMUM AID TO POOR COUNTRIES THEY MUST HAVE TECHNICIANS WHO UNDERSTAND THE CONDITIONS AND MENTALITY OF THE RECIPIENTS. EASUM AGREED AND RECALLED THE CONTRIBUTIONS OF TUNISIANS IN WEST AFRICA IN CIRCUMSTANCES WHERE TOO GREAT A GAP BETWEEN AN AMERICAN EXPERT AND THE RECIPIENTS MIGHT PREVENT TRANSFER OF TECHNOLOGY. HEDDA DISCUSSED BENEFITS OF QUOTE TRIANGULAR COOPERATION UNQUOTE AND SAID IT WOULD BE USEFUL FOR AMERICAN AID PROGRAMS OR PRIVATE COMPANIES TO OBTAIN THE SERVICES OF TUNISIAN TECHNICIANS. HE ALSO STRESSED THE CONTINUING NEED OF TUNISIA FOR HIGH LEVEL TECHNICAL ASSISTANCE WHICH IT IS SUFFICIENTLY DEVELOPED TO ABSORB.

7. HEDDA SAID THAT AS AMERICAN AID PROGRAMS EVOLVE, IT IS NECESSARY TO FIND NEW MEANS OF COOPERATION. EASUM NOTED THAT WE CAN NO LONGER RELY ON SOME TRADITIONAL

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PROGRAMS, SUCH AS PL 480. HEDDA DREW ATTENTION TO THE FAVORABLE CONDITIONS IN TUNISIA FOR PRIVATE INVESTMENT AND THE ENCOURAGEMENT WHICH THE GOT PROVIDES TO FOREIGN CAPITAL. EASUM CAUTIONED THAT IT IS IMPORTANT TO HAVE A GOOD INITIAL UNDERSTANDING OF THE CONDITION FOR FOREIGN INVESTMENT TO AVOID PROBLEMS LATER. HEDDA SAID THAT TUNISIA, UNLIKE MANY COUNTRIES OF THE THIRD WORLD, ALREADY HAS THE INSTITUTIONS OF A MODERN STATE AND IS A VERY GOOD RISK FOR INVESTORS. TUNISIA, HE ADDED, HAS A POLITICAL STRUCTURE AND ADMINISTRATIVE MACHINERY WHICH WILL CONTINUE TO FUNCTION EVEN AFTER PRESIDENT BOURGUIBA PASSES FROM THE SCENE. KISSINGER

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